

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7207**

**BILL NUMBER: SB 525**

**DATE PREPARED:** Jan 5, 2002

**BILL AMENDED:**

**SUBJECT:** Casino License for French Lick and West Baden Springs.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Orange County Casino:* The bill provides that the riverboat license authorized for Patoka Lake may be issued for a riverboat operating in Orange County. The bill requires a referendum in the towns of French Lick and West Baden Springs. The bill repeals statutes related to the operation of a riverboat on Patoka Lake.

*Riverboat Admission and Wagering Taxes:* The bill distributes a part of the Riverboat Admissions Tax collected by a riverboat licensed to operate in Orange County to each of the following: (1) Orange County. (2) French Lick. (3) West Baden Springs. (4) The Orange County Convention and Visitors Bureau or Promotion Fund. (5) The Division of Mental Health. (6) The Horse Racing Commission. (7) The State Fair Commission. (8) The French Lick Tourism Commission. (9) The West Baden Springs Tourism Commission. (10) Historic Landmarks Foundation of Indiana, Inc. The bill also distributes a part of the Wagering Tax collected by a riverboat licensed to operate in Orange County to the following: (1) Orange County. (2) French Lick. (3) West Baden Springs. (4) The French Lick Tourism Commission. (5) The West Baden Springs Tourism Commission.

*Historic Preservation District:* The bill establishes the Historic Hotel Preservation and Development District to own the license for the Orange County riverboat. The bill requires the District to distribute net gaming revenues in equal shares to trust funds for the historic hotels located in French Lick and West Baden Springs.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** The Indiana Gaming Commission would incur additional administrative expenses relating to the licensing and regulation of gaming at the Orange County casino. In addition, the Commission would have to establish criteria for, and regulate, gaming equipment and wagering devices at the Orange County casino to ensure that they are historic reproductions. As with the existing

riverboat casinos, such administrative costs will be covered with revenue from license fees and the Riverboat Wagering Tax.

The Treasurer of State would have to administer the French Lick and West Baden Springs Historic Resort Hotel Trust Funds. However, the bill would require that administrative expenses be paid from these Funds.

**Explanation of State Revenues:** *Wagering and Admission Taxes:* Provided a riverboat casino commences operations in Orange County, the bill could potentially generate \$21.3 M to \$23.5 M annually in additional revenue to the *state* from the Riverboat Wagering and Admission Taxes. [Note: This estimate may be updated as new information becomes available.]

The bill would eliminate the Patoka Lake riverboat license and instead authorize licensing a riverboat casino located within a Historic Preservation and Development District encompassing all of French Lick and West Baden Springs. An Orange County casino could potentially generate \$33.5 M to \$37.0 M in additional annual revenue from the Riverboat Wagering and Admission Taxes. This estimate is based on the average Wagering and Admission Tax receipts during FY 2000, FY 2001, and the period from November 2000 to October 2001 from (1) the three smallest riverboats with respect to casino square feet and gaming positions and (2) the three riverboats having the lowest admissions totals. Totals for the November 2000 to October 2001 period also include wagering and admissions at the Belterra Casino. The estimates also assume that an Orange County casino also would be relatively small and that wagering overall would increase proportionately with the addition of the casino.

It is important to note that the bill likely would not impact state revenues until FY 2004 or FY 2005. This conclusion is based on the start-up times for the ten existing riverboat casinos as well as the fact that the bill would require voters in French Lick and West Baden Springs to pass a referendum allowing riverboat gambling in the county. It has taken an average of 17 months from the time the certificate of suitability was issued by the Gaming Commission for the ten existing riverboats to commence gaming operations. (The certificate of suitability is issued by the Gaming Commission to a person who has been chosen to receive a Riverboat Owner's License.)

Under current statute unchanged by the bill, 75% of the Wagering Tax revenue from the Orange County casino would be distributed to the Lottery and Gaming Surplus Account (LGSA) in the Build Indiana Fund. Thus, estimated additional revenue to the LGSA would range from \$18.8 M to \$20.6 M.

In addition, the bill would repeal the current statutory distributions of Admission Tax revenue from the Patoka Lake riverboat. Under the bill, the following distributions would be made to the state from each \$3 Admission Tax collected at the Orange County casino. These distributions are estimated to total approximately \$2.6 M to \$2.9 M annually.

\$0.15 to the State Fair Commission (\$425,000 - \$475,000);  
\$0.10 to the Division of Mental Health (\$283,000 - \$317,000); and  
\$0.65 to the Indiana Horse Racing Commission (\$1.8 M - \$2.1 M).

*License Fees:* The bill also would impact revenue to the state from the Occupational License Fee and the Riverboat Owners' Fees. Given that there are already a number of licensed supplier's operating in the state, supplier's licenses may not be impacted by the bill. License fee revenue is distributed to the State Gaming Fund.

The Occupational License Fee is imposed on individuals employed in certain riverboat gambling occupations. The Application Fee is dependent on the type of license obtained, ranging from \$75 to \$1,000. The Annual License Fee is also dependent on the type of license obtained, ranging from \$25 to \$100. Revenue from the Application Fee totaled approximately \$1.26 M in FY 2001; and revenue from the Annual License totaled \$202,975 in FY 2001.

The Application Fee for an applicant for a Riverboat Owner's License is \$50,000 (or greater if the cost of investigating the applicant exceeds that amount), and the Initial License Fee for Owners is \$5,000. The Initial License is valid for five years. The Renewal License Fee for Riverboat Owners is \$5,000 and is imposed annually. In FY 2001 revenue from the Renewal License Fee totaled \$45,000. No revenue was collected from either the Application Fee or the Initial License Fee in FY 2001.

**Explanation of Local Expenditures:** *Historic Preservation District:* The bill would establish a Historic Hotel Preservation and Development District including all territory within French Lick and West Baden Springs. The district would be a body corporate and politic, established to manage and supervise, in conjunction with other state authorities, the commercial, economic, and recreational development of the district.

**District Board of Directors:** The district would be governed by a Board of Directors consisting of: (1) a member of the French Lick town council; (2) a member of the West Baden Springs town council; (3) the owner of a historic resort hotel in West Baden Springs or the owner's designee; (4) the owner of a historic resort hotel in French Lick or the owner's designee; and (5) a representative of Historic Landmarks of Indiana, Inc., appointed by the Governor upon the recommendation of the foundation's Board of Trustees. The Historic Landmarks representative would be appointed for a two-year term. The bill would require the Board to meet in a public place after giving notice, and to maintain a written record of its meetings. Under the bill, each member of the Board would be paid per diem and reimbursed for travel and other expenses incurred in connection with the member's duties. Under current statute, the per diem would be \$50 per day and mileage reimbursement would be \$0.345 per mile.

**Responsibilities of the District and District Board:** The bill would require the District to: (1) own the gaming license for the Orange County riverboat casino; (2) purchase the real estate upon which the casino may be constructed; (3) develop a request for proposals for persons interested in operating the casino on the real estate owned by the District Board; (4) collect and remit the Riverboat Admission and Wagering Taxes; (5) promote the preservation, restoration, maintenance, operation, and development of the historical nature and legacy of the historic resort hotels located in French Lick and West Baden Springs, and of the surrounding community; (6) promote the historic preservation, restoration, maintenance, operation, and development of the historic resort hotels; (7) cooperate in the development of a comprehensive tourism and development strategy designed to enhance occupancy rates and overnight stays at the historic resort hotel located in French Lick; (8) promote the development of the historic, scenic, aesthetically pleasing, cultural, educational, and recreational nature of the community in which the historic resort hotels are located; (9) cooperate with the Department of Transportation to improve highway access and rail routes to French Lick and West Baden Springs; (10) cooperate with local boards of aviation commissioners to enhance and improve airport facilities in and air transportation to these towns; and (11) appoint a historic preservation advisory committee consisting of at least five individuals nominated by the Historic Landmarks Foundation of Indiana, Inc.

The District Board also would be authorized to: (1) manage and supervise the development of riverboat gaming within the District; (2) assist other state and local agencies having jurisdiction of the territory of the District; (3) enter into contracts in furtherance of the District's purposes; (4) employ a professional staff and

engage consultants, attorneys, accountants, and other professional personnel necessary to carry out its duties; (5) prepare a budget annually, and appropriate funds for the discharge of the District's purposes and duties; (6) acquire and dispose of real and personal property by grant, gift, purchase, lease, devise, or otherwise; (7) hold, use, improve, maintain, operate, own, manage, or lease real or personal property or any interest in that property; (8) sue and be sued; and (9) make grants for the preservation, restoration, maintenance, operation, and development of the historic resort hotels in French Lick and West Baden Springs, or for the promotion of those communities.

The District would be subject to laws relating to the deposit of public money and would have to deposit money under the advisory supervision of the State Board of Finance. The District also would be subject to examination by the State Board of Accounts.

**Expenses of the District Board:** Expenses of the of the District Board would be paid from operating income of the Orange County riverboat casino. The bill would limit the Board's annual expenses to an amount equal to \$0.25 per admission to the casino. Based on the Admission Tax estimate for the Orange County casino, the expense limit could total as much as \$708,000 to \$792,000 per year.

**Historic Resort Hotel Trust Funds:** The bill would establish Historic Resort Hotel Trust Funds for French Lick and West Baden. Each of these trust funds would consist of: (1) money disbursed by the District Board; (2) donations; (3) interest and dividends on assets of the fund; (4) money transferred to the fund from other funds; and (5) money from any other source. Each of these trust funds would be managed by the District Board. Moreover, the District Board would have the sole authority to allocate money from these funds for the purpose of preservation, restoration, maintenance, operation, and development of the French Lick Historic Resort Hotel and the West Baden Springs Historic Resort Hotel. Subject to the investment policy of the District Board, the bill would require the Treasurer of State to administer and invest money in each trust fund. The expenses of administering these trust funds would be paid from each fund. The money in these trust funds at the end of a state fiscal year would not revert to the state General Fund.

**Gaming Referendum:** The bill would require that voters in French Lick and West Baden Springs pass a referendum allowing riverboat gambling in the county before a casino could operate in Orange County. The bill allows the referendum to be held at a primary, general, or special election. Thus, the bill could impact the election expenses of these cities if officials choose to hold the referendum at a special election.

**Explanation of Local Revenues:** *Wagering and Admission Taxes:* Provided a riverboat casino commences operations in Orange County, the bill could potentially generate \$12.2 M to \$13.5 M annually in additional revenue to local units from the Riverboat Wagering and Admission Taxes. [Note: This estimate may be updated as new information becomes available.]

Under the bill, 25% of the Wagering Tax revenue from the Orange County casino would be distributed to local units. This would amount to an estimated \$6.3 M to \$6.9 M annually. Under the bill, the following distributions would be made from this local share of Wagering Tax revenue:

- 25% to Orange County (\$1.6 M - \$1.7 M);
- 25% to French Lick (\$1.6 M - \$1.7 M);
- 25% to West Baden Springs (\$1.6 M - \$1.7 M);
- 10% to the French Lick Tourism Commission (\$625,000 - \$688,000);
- 10% to the West Baden Springs Tourism Commission (\$625,000 - \$688,000); and
- 5% to Orange County for grants to governmental entities other than those listed above (\$313,000 - \$344,000).

Under the bill, the following distributions would be made to local units from each \$3 Admission Tax collected at the Orange County casino. These distributions are estimated to total approximately \$6.0 M to \$6.7 M annually.

- \$0.40 to Orange County (\$1.1 M - \$1.3 M);
- \$0.40 to French Lick (\$1.1 M - \$1.3 M);
- \$0.40 to West Baden Springs (\$1.1 M - \$1.3 M);
- \$0.10 to the Orange County Convention & Visitors Bureau or Promotion Fund (\$283,000 - \$317,000);
- \$0.25 to the French Lick Tourism Commission (\$708,000 - \$792,000);
- \$0.25 to the West Baden Springs Tourism Commission (\$708,000 - \$792,000); and
- \$0.30 to Historic Landmarks of Indiana, Inc. (\$850,000 - \$950,000).

*Distribution of Wagering Tax Grants:* Under the bill, 5% of the local share of Wagering Tax revenue from the Orange County casino is to be provided in grants to Orange County governmental entities other than those receiving Wagering Tax distributions (see *Explanation of Local Revenues*). The Orange County treasurer would have to segregate this revenue in a separate account. The bill would require that the Orange County Board and the town councils of French Lick and West Baden Springs act in concert to select qualified recipients of grants from the account. The bill also would prohibit the Orange County Board from appropriating money from the account for a grant unless the town councils of French Lick and West Baden Springs have adopted resolutions approving the recipient and the amount of the grant.

*Casino and Other Income:* Under the bill, the owner of the license for the Orange County riverboat casino would be the Historic Hotel Preservation and Development District encompassing French Lick and West Baden Springs. (See *Explanation of Local Expenditures* for a discussion of the District and its Board of Directors.) Net income from the casino after operating expenses would be divided equally and deposited in separate Historic Resort Hotel Trust Funds for French Lick and West Baden Springs (see *Explanation of Local Expenditures*). Operating expenses would include: (1) money spent by the District Board in the exercise of its powers; (2) money spent to operate the casino; and (3) management fees paid to the operator of the casino. The bill also would require that proceeds from the acquisition or disposition of real or personal property by the District be divided equally between the two Funds.

Currently, sufficient data is unavailable relating to typical casino profit margins. However, based on the Wagering Tax estimate for the Orange County casino, Adjusted Gross Receipts (AGR) could potentially total \$125.0 M to \$137.5 M annually. AGR is the difference between total wagering receipts and winnings paid to gamblers. As a result, net gaming receipts after payment of winnings, wagering taxes, and admission taxes could total approximately \$91.5 M to \$100.5 M. (Presumably, the Historic Hotel Preservation and Development District would have no other federal, state, or local tax liability relating to the casino operation.) Remaining expenses that would reduce this total further would include capital and interest expenses relating to the casino property, personnel expenses, and management fees to the company hired to run the daily operations of the casino. The extent of this cost is currently indeterminable.

**State Agencies Affected:** Gaming Commission, Horse Racing Commission, State Fair Commission, Division of Mental Health, State Treasurer, State Board of Finance, State Board of Accounts.

**Local Agencies Affected:** Local units in Orange County.

**Information Sources:** Indiana Gaming Commission, *2000 Annual Report to the Governor*, February

28,2001. Indiana Gaming Commission, *Monthly Summary of Wagering and Admission Tax*, Various Months; Illinois Gaming Board, *Monthly Riverboat Revenue Reports* (Jan. 1996 to Aug. 2001); Illinois Gaming Board, *1999 Annual Report*; Illinois Economic and Fiscal Commission, *Wagering in Illinois: 2000 Update*, September 2000; Indiana Gaming Commission, *Summary of Wagering and Admission Tax*, Various Months; State Budget Agency, *Lottery and Gaming Revenue Forecast*, January 22, 2001; Bob Lain, State Budget Agency, (317) 232-5610; Indiana Horse Racing Commission, *1999 & 2000 Annual Report to the Governor*.